

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 **COMMISSIONERS**

3 JEFF HATCH-MILLER, Chairman  
4 WILLIAM A. MUNDELL  
5 MARC SPITZER  
MIKE GLEASON  
KRISTIN K. MAYES

6 In the matter of	)	
7 MEE DIAMOND & JEWELRY, INC., an	)	DOCKET NO. S-03556A-04-0000
8 Arizona corporation	)	
9 2550 E. Denton Lane	)	DECISION NO. <u>67537</u>
10 Phoenix, AZ 85016	)	
11 CHRISTOPHER S. MEE, an unmarried man	)	<b>ORDER TO CEASE AND DESIST,</b>
12 2550 E. Denton Lane	)	<b>ORDER FOR ADMINISTRATIVE</b>
13 Phoenix, AZ 85016	)	<b>PENALTIES AND CONSENT TO</b>
Address	)	<b>SAME</b>
14 Respondents.	)	<b>BY: MEE DIAMOND &amp; JEWELRY,</b>
	)	<b>INC. and CHRISTOPHER S. MEE</b>

14 MEE DIAMOND & JEWELRY, INC., an Arizona corporation, dba DIAMOND SHOWCASE  
15 and CHRISTOPHER S. MEE, an unmarried man, (“RESPONDENTS”) elect to permanently  
16 waive their right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona,  
17 A.R.S. § 44-1801, *et seq.* (“Securities Act”) with respect to this Order To Cease And Desist, Order  
18 of Restitution, Order for Administrative Penalties, and Consent to Same (“Order”).  
19 RESPONDENTS admit the jurisdiction of the Arizona Corporation Commission (“Commission”);  
20 admit only for purposes of this proceeding, or future administrative proceeding before the  
21 Commission or any other state agency concerning the denial or issuance of any license or  
22 registration required by the State to engage in the practice of any business or profession, the  
23 Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this  
24 Order by the Commission.

25 ...

26 ...

I.

**FINDINGS OF FACT**

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2  
3 1. MEE DIAMOND & JEWELRY, INC., an Arizona corporation, dba DIAMOND  
4 SHOWCASE began operations in 2001 as a sole proprietorship and was subsequently incorporated  
5 on April 12, 2002 (“MEE DIAMOND”). MEE DIAMOND, a retailer, wholesaler and e-commerce  
6 marketer of diamonds and jewelry, has ceased operating business and has no assets. The last known  
7 business address of MEE DIAMOND was 2550 E. Denton Lane, Phoenix, AZ 85016.

8 2. CHRISTOPER S. MEE (“MEE”), an unmarried individual, is an Arizona resident whose  
9 business address is 2550 E. Denton Lane, Phoenix, AZ 85016.

10 3. At all times material hereto, MEE was the chairman, chief executive officer, majority  
11 stockholder, and control person of MEE DIAMOND. In these capacities, MEE controls and bears  
12 responsibility for the company’s financial affairs and investor solicitation activities. MEE was not  
13 registered to sell securities within or from the state of Arizona.

14 4. Since at least July, 2002, RESPONDENTS have been engaged in the offer and sale of  
15 securities as defined by A.R.S. §44-1801(26) to the general public in Arizona.

16 5. Arizona residents were solicited by the RESPONDENTS through radio advertisements and  
17 general unsolicited mailings concerning various investment opportunities in MEE DIAMOND.

18 6. As part of the solicitation efforts, RESPONDENTS prepared, supported, procured and/or  
19 dispatched various summaries to prospective investors outlining the business plans and the terms of  
20 the MEE DIAMOND investment options.

21 7. According to offering materials, the RESPONDENTS were seeking to raise (i) \$1 million  
22 through the sale of “Series 1 and 2 nonvoting preferred redeemable stock” in MEE DIAMOND for a  
23 purchase price of \$1.00 per share (with a minimum investment ranging from \$10,000 to \$25,000), (ii)  
24 \$1 million through the sale of “investment contracts” by which the investors would “purchase one or  
25 more diamonds [at the company’s cost] and then immediately consign the diamonds back to the  
26 company for sale” pursuant to the terms of a “Diamond Consignment Program Agreement” executed

1 by the company and the investor (with a \$50,000 minimum investment), and/or (iii) an undisclosed  
2 amount through inventory financing with a \$25,000 investment.

3 8. In what was termed a private placement offering dated November 26, 2002 (the "POM"), the  
4 RESPONDENTS represented that the offering was being made pursuant to registration exemptions  
5 under "Section 4(2) of the federal Securities Act of 1933" and "comparable exemptions under state  
6 law."

7 9. On March 19, 2003, MEE DIAMOND filed a *Form D, Notice of Sale of Securities*  
8 *Pursuant to Regulation D, Section 4(6) and/or Uniform Limited Offering Exemption* (the "Form  
9 D") with the Securities Division pursuant to A.C.C. R14-4-140 ("Rule 140") (i.e., limited offerings  
10 and sales not exceeding \$1 million exclusively to accredited investors). The Form D stated that the  
11 filing was under federal Rule 504.

12 10. At the direction of MEE, the Form D was prepared on behalf of the RESPONDENTS by  
13 their legal counsel, executed by MEE as President of MEE DIAMOND, and forwarded to the  
14 Securities Division for filing.

15 11. MEE (and his Pennsylvania-based company, Boston-Finney, Inc.) is the subject of two  
16 state court orders, namely: (i) an order entered on August 21, 1998 in cause number 717631 in the  
17 Superior Court of the State of California, County of San Diego, for violations of that state's Penal  
18 Code section 327, permanently enjoining the further use of misleading and false statements  
19 [fraud], to prevent the use of an endless chain [pyramid] marketing scheme in the sale of electric  
20 power, and for the payment of restitution and penalties; and (ii) an order entered on or about June  
21 16, 1998 in cause number 183 M.D. 1998 in the Commonwealth Court of Pennsylvania for  
22 violations of that state's Unfair Trade Practices and Consumer Protection Law, permanently  
23 enjoining any further use of misleading and false statements [fraud], to prevent the use of an  
24 endless chain [pyramid] marketing scheme in the resale of electric generation, natural gas supply,  
25 and energy conservation technologies, products and services, and for the payment of restitution  
26 and penalties (collectively, "State Orders").

1       12. At all relevant times, MEE DIAMOND was a new company and considered to be in the  
2 development stage.<sup>1</sup> Under federal Rule 504, the issuer [MEE DIAMOND] may not be a  
3 development stage company.

4       13. As a result of the State Orders, MEE was subject to the disqualification provisions of Rule  
5 140(M) (the “bad boy provisions”) at the time of the filing of the Form D with the Securities  
6 Division. The exemption from the registration requirements of A.R.S. §§ 44-1841 and 44-1842  
7 provided under Rule 140 is not available the issuer [MEE DIAMOND] if any officer [MEE] is  
8 subject to the bad boy provisions.

9       14. The Form D contains a sworn statement by MEE that he is “not subject to the  
10 disqualification provisions” described in 17 C.F.R. 230.262 (the “disqualification provisions”).  
11 As a result of the State Orders, MEE was, in fact, subject to the disqualification provisions at the  
12 time of the filing of the Form D with the Securities Division.

13       15. Pursuant to the Form D, at least Twenty-five Thousand Dollars (\$25,000.00) has been raised  
14 from an accredited Arizona investor (the “Investor”) from the offer and sale of preferred stock in  
15 MEE DIAMOND by the RESPONDENTS.

16       16. On October 3, 2003, MEE filed a petition for Chapter 7 protection in the United States  
17 Bankruptcy Court for the District of Arizona (Phoenix) (case number 03-BK-17624-SSC) (the  
18 “MEE Bankruptcy”). A discharge order was entered in the MEE Bankruptcy by the court on  
19 January 29, 2004 (the “Discharge”). Prior to the Discharge, a *Complaint to Determine Non-*  
20 *Dischargeability of Debt* (“Investor Complaint”) was filed by the Investor relating to the MEE  
21 Bankruptcy in the United States Bankruptcy Court for the District of Arizona (Phoenix) (case  
22 number 03-AP-00025-CCS). The adjudication of the merits of the Investor Complaint by the  
23 Bankruptcy Court shall address, among other things, the facts and circumstances surrounding the  
24 investment of funds in MEE DIAMOND by the Investor, including any right to rescission and/or  
25 damages from MEE.

26 \_\_\_\_\_  
<sup>1</sup> Definition of Terms Used in Regulations S-X, 17 C.F.R. §210.1-02(h).

1 **II.**

2 **CONCLUSIONS OF LAW**

3 1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona  
4 Constitution and the Securities Act.

5 2. RESPONDENTS offered or sold securities within or from Arizona, within the meaning  
6 of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

7 3. RESPONDENTS violated A.R.S. § 44-1841 by offering or selling securities that were  
8 neither registered nor exempt from registration.

9 4. RESPONDENTS violated A.R.S. § 44-1842 by offering or selling securities while  
10 neither registered as dealers or salesmen nor exempt from registration.

11 5. RESPONDENTS violated A.R.S. § 44-1992 by subscribing or causing to be made an  
12 untrue statement of material fact or omitting to state material facts which were necessary in order to  
13 make the statements made not misleading in light of the circumstances under which they were made  
14 in an application, registration statement, prospectus, financial statement or document required to be  
15 filed under the Securities Act or any rule, regulation or order of the Commission.

16 6. RESPONDENTS' conduct is grounds for a cease and desist order pursuant to A.R.S. §  
17 44-2032.

18 7. RESPONDENTS' conduct is grounds for administrative penalties under A.R.S. § 44-  
19 2036.

20 **III.**

21 **ORDER**

22 THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and the  
23 RESPONDENTS consent to the entry of this Order, the Commission finds that the following relief  
24 is appropriate, in the public interest, and necessary for the protection of investors:

25 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that RESPONDENTS, their agents,  
26 employees, successors and assigns, permanently cease and desist from violating the Securities Act.

1 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that CHRISTOPHER S. MEE  
 2 shall pay an administrative penalty in the amount of Ten Thousand Dollars (\$10,000.00). Payment  
 3 shall be made by cashier’s checks or money orders payable to the “State of Arizona” in  
 4 installments as follows: Five Thousand Dollars (\$5,000.00) on the date of this Order; and Five  
 5 Hundred Dollars (\$500.00) per month on or before the 1<sup>st</sup> day of each month beginning on March  
 6 1, 2005 until all sums due under the terms of this Order are paid in full. Any amount outstanding  
 7 shall accrue interest at the rate of ten percent (10%) per annum from the date of this Order until  
 8 paid in full. If RESPONDENTS do not comply with this order for administrative penalties, any  
 9 outstanding balance may be deemed in default and shall be immediately due and payable. Upon  
 10 default, any amount outstanding shall accrue interest at the rate of fifteen percent (15%) per annum  
 11 from the date of default.

12 IT IS FURTHER ORDERED that this Order shall become effective immediately.

13 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

14 /s/ Jeff Hatch-Miller /s/ Marc Spitzer /s/ William A. Mundell  
 15 CHAIRMAN COMMISSIONER COMMISSIONER

16 /s/ Lowell Gleason /s/ Kristin K. Mayes  
 17 COMMISSIONER COMMISSIONER

18 IN WITNESS WHEREOF, I, BRIAN C. McNEIL,  
 19 Executive Secretary of the Arizona Corporation  
 20 Commission, have hereunto set my hand and caused the  
 21 official seal of the Commission to be affixed at the  
 Capitol, in the City of Phoenix, this 31<sup>st</sup> day of  
Jan., 2005.

22 /s/ Brian C. McNeil  
 23 BRIAN C. McNEIL  
 24 Executive Secretary

25 \_\_\_\_\_  
 26 DISSENT

1 This document is available in alternative formats by contacting Linda Hogan, Executive Assistant  
2 to the Executive Secretary, voice phone number 602-542-3931, E-mail [lhogan@cc.state.az.us](mailto:lhogan@cc.state.az.us).  
(jc)

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**CONSENT TO ENTRY OF ORDER**

1  
2 1. RESPONDENT MEE DIAMOND & JEWELRY, INC., an Arizona corporation, dba  
3 DIAMOND SHOWCASE (“MEE DIAMOND”) admits the jurisdiction of the Commission over  
4 the subject matter of this proceeding, acknowledges that it has been fully advised of its right to a  
5 hearing to present evidence and call witnesses, and MEE DIAMOND knowingly and voluntarily  
6 waives any and all rights to a hearing before the Commission and all other rights otherwise  
7 available under Article 11 of the Securities Act and Title 14 of the Arizona Administrative Code.  
8 MEE DIAMOND acknowledges that this Order to Cease and Desist, Order for Administrative  
9 Penalties and Consent to Same (“Order”) constitutes a valid final order of the Commission.

10 2. MEE DIAMOND knowingly and voluntarily waives any right it may have under  
11 Article 12 of the Securities Act to judicial review by any court by way of suit, appeal, or  
12 extraordinary relief resulting from the entry of this Order.

13 3. MEE DIAMOND acknowledges and agrees that this Order is entered into freely and  
14 voluntarily and that no promise was made or coercion used to induce such entry.

15 4. MEE DIAMOND acknowledges that he has been represented by counsel in this matter,  
16 it has reviewed this Order with his attorney and understands all terms it contains.

17 5. MEE DIAMOND admits only for purposes of this proceeding the Findings of Fact and  
18 Conclusions of Law contained in this Order. MEE DIAMOND agrees that it shall not challenge  
19 their validity in any present or future administrative proceeding before the Commission or any  
20 other state agency concerning the denial or issuance of any license or registration required by the  
21 State to engage in the practice of any business or profession.

22 6. By consenting to the entry of this Order, MEE DIAMOND agrees not to take any  
23 action or to make, or permit to be made, any public statement denying, directly or indirectly, any  
24 Finding of Fact or Conclusion of Law in this Order or to create the impression that this Order is  
25 without factual basis. Notwithstanding the foregoing, this Order is not intended to collaterally  
26 estop, factually bind or preclude MEE DIAMOND from defending itself in any administrative,

1 civil or criminal proceedings to which the Commission is not a party. MEE DIAMOND will  
2 undertake steps necessary to assure that all of its agents and employees understand and comply  
3 with this agreement.

4 7. While this Order settles this administrative matter between MEE DIAMOND. and the  
5 Commission, MEE DIAMOND understands that this Order does not preclude the Commission  
6 from instituting other administrative proceedings based on violations that are not addressed by this  
7 Order.

8 8. MEE DIAMOND understands that this Order does not preclude the Commission from  
9 referring this matter to any governmental agency for administrative, civil, or criminal proceedings  
10 that may be related to the matters addressed by this Order.

11 9. MEE DIAMOND understands that this Order does not preclude any other agency or  
12 officer of the state of Arizona or its subdivisions from instituting administrative, civil or criminal  
13 proceedings that may be related to matters addressed by this Order.

14 10. MEE DIAMOND agrees that it will not apply to the state of Arizona for registration as  
15 a securities dealer or for licensure as an investment adviser or investment adviser representative  
16 until such time as all penalties under this Order are paid in full.

17 11. MEE DIAMOND agrees that it will not exercise any control over any entity that offers  
18 or sells securities or provides investment advisory services, within or from Arizona, for a period of  
19 five (5) years.

20 12. MEE DIAMOND agrees that until penalties are paid in full, MEE DIAMOND will  
21 notify the Director of the Securities Division within 30 days of any change in home address or any  
22 change in MEE DIAMOND's ability to pay amounts due under this Order.

23 13. MEE DIAMOND understands that default shall render it liable to the Commission for  
24 its costs of collection and interest at the maximum legal rate.

25 14. MEE DIAMOND agrees that it will continue to cooperate with the Securities Division  
26 including, but not limited to, providing complete and accurate testimony at any hearing in this

1 matter and cooperating with the state of Arizona in any related investigation or any other matters  
2 arising from the activities described in this Order.

3 15. MEE DIAMOND consents to the entry of this Order and agrees to be fully bound by its  
4 terms and conditions. If MEE DIAMOND breaches any provision of this Order, the Commission  
5 may vacate this Order and restore this case to its active docket.

6  
7 MEE DIAMOND & JEWELRY, INC., an  
8 Arizona corporation, dba DIAMOND  
SHOWCASE

9 /s/ Christopher S. Mee  
10 \_\_\_\_\_  
By: Christopher S. Mee, Chairman & CEO

11 SUBSCRIBED AND SWORN TO BEFORE me this 7th day of January, 2005.

12  
13 /s/ Susan Sullivan  
14 \_\_\_\_\_  
NOTARY PUBLIC

15 My Commission Expires:  
16 1-23-2008

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1 estop, factually bind or preclude CHRISTOPHER S. MEE from defending himself in any  
2 administrative, civil or criminal proceedings to which the Commission is not a party.  
3 CHRISTOPHER S. MEE will undertake steps necessary to assure that all of his agents and  
4 employees understand and comply with this agreement.

5 7. While this Order settles this administrative matter between CHRISTOPHER S. MEE  
6 and the Commission, CHRISTOPHER S. MEE understands that this Order does not preclude the  
7 Commission from instituting other administrative proceedings based on violations that are not  
8 addressed by this Order.

9 8. CHRISTOPHER S. MEE understands that this Order does not preclude the  
10 Commission from referring this matter to any governmental agency for administrative, civil, or  
11 criminal proceedings that may be related to the matters addressed by this Order.

12 9. CHRISTOPHER S. MEE understands that this Order does not preclude any other  
13 agency or officer of the state of Arizona or its subdivisions from instituting administrative, civil or  
14 criminal proceedings that may be related to matters addressed by this Order.

15 10. CHRISTOPHER S. MEE agrees that he will not apply to the state of Arizona for  
16 registration as a securities dealer or salesman or for licensure as an investment adviser or  
17 investment adviser representative until such time as all restitution and penalties under this Order  
18 are paid in full.

19 11. CHRISTOPHER S. MEE agrees that he will not exercise any control over any entity  
20 that offers or sells securities or provides investment advisory services, within or from Arizona, for  
21 a period of five (5) years.

22 12. CHRISTOPHER S. MEE agrees that until penalties are paid in full, CHRISTOPHER S.  
23 MEE will notify the Director of the Securities Division within 30 days of any change in home  
24 address or any change in CHRISTOPHER S. MEE's ability to pay amounts due under this Order.

25 13. CHRISTOPHER S. MEE understands that default shall render him liable to the  
26 Commission for its costs of collection and interest at the maximum legal rate.

